

Tax object – taxable income

Published: 29.10.2021.

Income obtained by a natural person – a resident in Latvia and abroad (Section 8 of the Law On Personal Income Tax), including:

income obtained on the basis of employment relations;

income from the activities of individual work, enterprise contract, commercial agent and broker;

income from an individual undertaking, also from a farm or fish farm, if it is not an object of the corporate income tax, and income from the activities of an individual merchant;

income from a partnership;

income received by participants (members) of a commercial company, co-operative society, organisation, association and foundation in case of liquidation or reorganisation of the commercial company, co-operative society, organisation, association and foundation;

income from the leasing or renting of immovable property (buildings, parts of buildings, apartments, land);

income from the transfer of an object (land, premises) to a sub-lessee or sub-tenant;

income from leasing movable property;

income from intellectual property and rights to it, as well as from the right to exercise rights to the intellectual property;

gifts received from natural persons, companies, undertakings (institutions, organisations);

pensions regardless of the source of their payment, as well as income equivalent to pensions;

the State funded pension capital which is inherited in case of death of a participant of the State funded pension scheme;

income from the alienation of a forest growing on the property of a natural person for felling and the alienation of the timber obtained therein, as well as the support sums economic activity restrictions to the forest owners for whom the forest management is not the type of economic activity;

income from capital (dividends, interest income and income equivalent thereof, including income related to interest income, income related to the alienation of immovable property, income from alienation of virtual currency and alienation of other capital assets, etc.);

income from a substantial participation in a foreign company;

income from the investment of contributions made in private pension funds;

income from life insurance contracts entered into with accumulation of funds;

the increase in the value of the immovable property or the part thereof which has been acquired upon expiry of the lease contract and which was ensured by reconstruction, restoration, renovation, improvement or other capital investments performed by the lessee in the leased property, if the payer has not compensated the abovementioned increase or part thereof to the lessee;

income of hired personnel or income equivalent thereto irrespective of who receives this income on behalf of a natural person;

income from the sale of scrap metal;

income from participation in low-tax and tax-free state or territory companies, trusts or other legal arrangements. The income of a foreign company attributable to the payer is taxed, if the payer's participation in a foreign company is significant - 25% and more - regardless of the fact that such income has not been distributed in dividends (if the taxed income is divided into dividends, the tax on dividends is not levied for a second time);

cash or non-cash advances issued by undertakings are equivalent to the income from paid work, if settlements have not been made for them within 90 days after the end of the official travel or work travel, but in other cases - within 90 days from the moment of issuing the cash or non-cash advance;

income from life-long pension insurance contract (with accumulated funded pension capital in conformity with the State Funded Pension Law) which is formed from gratifications granted by an insurer;

loans equivalent to income;

income caused by reduced loan interest payments;

prizes of lotteries and gambling;

other income which is not indicated as non-taxable.

The following income obtained by a natural person - non-resident in Latvia (Section 3 of the Law On Personal Income Tax):

employment income;

income from professional activities;

income from the professional activities of artists, sportsmen or trainers in the Republic of Latvia;

income from the performance of duties in a council or board of directors of a capital company or a co-operative company registered in the Republic of Latvia;

income from an alternative investment fund which has been established in the Republic of Latvia as a limited partnership;

income from the agricultural production of a personal subsidiary farm, home farm as well as farm and fish farm;

income from the alienation of a forest growing on the property of a natural person for felling and the alienation of the timber obtained therein, as well as support sums for economic activity restrictions to the forest owners, for whom the forest management is not the type of economic activity;

pensions paid out in accordance with the laws of the Republic of Latvia and income equivalent to pension;

income from the use of an immovable property located in the Republic of Latvia;

income from alienation of immovable property located in the Republic of Latvia and income from alienation of other capital assets, except income from alienation of financial instruments the circulation of which is regulated by the [Financial Instrument Market Law](#);

income from the use of a movable property in the Republic of Latvia;

dividends, income equal to dividends and notional dividends;

interest income and income equivalent thereto and income related to the interest income, except for:

a) interest income from Latvian or other European Union Member State or European Economic Area state and local government securities;

b) interest income, income equivalent to the interest and income related to the interest income from financial instruments present in the public circulation;

payment for intellectual property:

a) author's fees (copyrights and ancillary rights) for the creation of works of science, literature and art, discoveries, inventions and works of industrial models, taking into consideration norms of expenditure which have been determined by the Cabinet in accordance with Section 10, Paragraph one, Clause 4 of this Law,

b) payments for other types of intellectual property;

insurance compensation which in accordance with the life, health and accident insurance is paid out when the end of the time period provided in the contract has come or when terminating the contract before the time period in the interests of the insured;

income from investment of payments in private pension funds;

income from life insurance contracts entered into with an accumulation of funds;

the State funded pension capital which is inherited in case of death of a participant of the State funded pension scheme and which is calculated for the heir prior to extinguishing the liabilities of the heir against the special budget of social insurance and the State basic budget, if the heir has chosen to receive it by transfer to a payment account in a credit institution;

supplementary pension capital which has formed from payments made by the employer into private pension funds in conformity with licensed pension plans disbursed to pension plan participants;

income from scrap sale;

an increase in the value of immovable property or a part thereof which was obtained upon expiry of the lease contract and which was ensured by the reconstruction, restoration, renovation, improvement or other capital investments performed by the lessee to the leased property, if the referred to increase or part thereof the payer has not compensated to the lessee;

income of hired personnel or income equivalent thereto irrespective of who receives this income on behalf of a natural person;

cash or non-cash advances issued by undertakings are equivalent to income from paid work, if settlements have not been made for them within 90 days after the end of the official travel or work travel, but in other cases - within 90 days from the moment of issuing the cash or non-cash advance;

income from life-long pension insurance contract (with accumulated funded pension capital in conformity with the State Funded Pension Law) which is formed from gratifications granted by an insurer;

loans equalised to income;

income caused by reduced loan interest payments;

prizes of lotteries and gambling.

<https://www.fm.gov.lv/en/tax-object-taxable-income>